

I.O. 6686



# Shanghai Municipal Police.

Station.

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## REPORT ON

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Far East.

Commander Mareniev of the General Staff of Moscow visited all the principal towns in Siberia in the Fall of last year and warned the Communists that war is looming in the near future and to be prepared. He explained that Russia would not fight until she saw it would prove to her to be advantageous particularly in the Far East.

The Siberian railway, which was divided into three sections last year from Vladivostok to Verkhno-Udinsk, was consolidated in March of the present year and comes under the direct jurisdiction and military control of the Far Eastern Revolutionary Committee at Khabarovsk.

The visit of the three prominent members of the Bolshevik Labour Union - Comrades Kappa, Briskin and Smoots to China this year and the subsequent labour strikes in China together with the disposal of arms by the Bolsheviks into China can be viewed as the preliminary step to produce disorders and trouble in China with the direct object of testing how far Moscow's scheme can be carried out. Another factor is that recently certain military officers in Russian uniforms of the old Czar regime have gone over to the Reds at Khabarovsk. The modus operandi adopted to effect their entry into Siberia is as follows:- Under the guise of attacking the Red on the Russo-Manchurian frontier (the Pre-Maritime and Amur Provinces) these military officers at the head of detachments of Hoonuses in the pay of the Reds cross into Russian territory and, of

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course, are seized and dispatched to Habarovsk where they are placed in prison and then sent to Moscow where the Central Executive Committee passes a verdict of temporary pardon, after which they are drafted into military positions at Staff Headquarters under the supervision of communists, and their knowledge of Manchuria etc. recorded.

I remain, Sir,

Your obedient servant,

*John A. Lee*

## WHY CHINA SEES RED

Mr. B. Lenox-Simpson's New  
Book: Complete Examination  
of Entire Chinese Question

### FORECAST OF CIVIL WAR IN 1926

Peking, Oct. 5.

Mr. B. Lenox-Simpson returned to Peking from Shanhaikuan last night, having mailed to London and New York duplicate copies for the English and American editions of his new book, which will bear the arresting title "Why China Sees Red." He states that the despatch of the book was delayed through the necessity of putting the mass of material in readable form, but the whole work, which is something under 100,000 words, was completed by an exhausting effort between August 8 and October 2. The work, he says, is a complete and minute examination of the entire Chinese question, considered more especially from the point of view which has developed since the incidents of May 30. This required a proper historical background which in turn necessitated a study of all documents from 1830.

Mr. Simpson declares that people resident on the other side of the world should have no difficulty in understanding from this narrative, which is brought down to the end of September, what has taken place in China and why it was inevitable. He expects publication before Christmas.

Mr. Simpson says that while writing this book he has incidentally acquired a good deal of information from correspondents tending to show that popular dissatisfaction in China is likely to turn in an entirely different direction from the recent anti-British movement. Taxation of every sort and description which is being imposed, necessarily perhaps, to make the country pay for the upkeep of troops, is, he declares, not only bringing irritation but is slowing down the general commercial and industrial movement. Although the heavy crops of the autumn have been good, the shoe is beginning to pinch on so many parts of the foot that it is perceptibly affecting the outlook.

### Capital Scared Away

Mr. Lenox-Simpson says that it would appear that the whole railway position in China and the movement of troops is in danger of being brought to a standstill by the harshness of new regulations, which impose crushing fines on shippers for overweight and show none of that flexibility which is essential in such a community as the Chinese, where old custom has always given much leeway. Complaints, he says, are particularly bitter along the Peking-Mukden Railway, where the managing-director, who has had no commercial experience, has perhaps checked many abuses but has likewise checked trade, which is more important than regulations. This, he says, coming as an aftermath to the paralysis of the summer, is so important a matter that it should be officially considered without delay. Mr. Simpson has been asked by many Chinese to make known these facts publicly.

He states that another aspect which cannot be ignored is that capital has been badly frightened by the uproar of the summer. Inasmuch as the importation of capital has for at least 120 years been a very important feature, playing a great rôle even in the Canton factory days, prior to the abolition of the East India Company's monopoly—the financing of Chinese trade being a London transaction for all countries including herself—any checking of this important element in international trade affects the whole country.

### No War This Year

He considers, therefore, that the issues to be considered by the forthcoming Conference will inevitably become from the general pressure of circumstances much broader than anyone yet imagines. "The primary consideration is, after all, the general market, and there are many aspects of this issue which have nothing to do with treaties, but are the imponderables which make the wheel of Chinese life go round." He says that there is a very strong impression that the Customs Conference should include a banking section as the economics of Chinese trade are not fully understood officially.

In regard to the rumours of Civil War, Mr. Simpson says that the prophets are right in believing that all is to be quiet in 1925 but 1926 is to be another "decisive" year. Marshal Wu Pei-fu will not throw in his lot with any specific man, but his return to Loyang will be a "Return from Elba" as all Honan is waiting for him. In connexion with this Mr. Simpson stated in conclusion that an interesting development was the building of a new arsenal near Tientsin which would be ready by the Spring and have a capacity of 5,000 shells a day.—Reuter's Pacific Service.

## KARAKHAN ON CHINESE SITUATION

Summe Ignorance of Possibility  
of Feng Yu-hsiang's Receiv-  
ing Soviet Arms

### FUTILITY OF CUSTOMS CONFERENCE

BY WALTER DURANTY IN THE  
"NEW YORK TIMES"

Moscow, Sept. 16.

A comprehensive picture of the Chinese situation as seen by Soviet Russian eyes, from which, too, it is possible to deduce something of the Soviet Union's hopes and policies, was set forth for the American correspondents to-day by the Soviet Ambassador in Peking, M. Karakhan. The Ambassador, who expects to return to Peking soon, spoke with apparent frankness and assurance. His remarks were entirely free of propaganda and ranting against the "capitalistic and imperialistic Western powers," which has been a feature in the Soviet press in past weeks.

Mr. Karakhan does not believe the forthcoming tariff conference in Peking will do anything real to meet the aims and demands of the Chinese people. He said that any upward revision of the tariff would be practically negligible and would go almost wholly to pay the interest on China's present or future obligations to European powers.

It seemed, from what he said, that Soviet Russia is not over much displeased by this possibility, inasmuch as it would irritate Chinese public opinion and "prove to China that any hopes that the powers will voluntarily abdicate their privileges, unless forced, is a delusion, and that to obtain this result China must take other measures." Along what lines such measures may run can be deduced from Karakhan's summary of the internal political situation of China.

He was not inclined to agree with the suggestions of the Soviet press that the position of China to-day is comparable with the abortive Russian revolution of 1905, adding that the recent troubles in China were on a much smaller scale, confined to one or two areas, and not to be confounded with a wide national movement.

He said the real position was this—a clash between the rival Generals, Chang Tso-lin and Feng Yu-hsiang, appears inevitable, perhaps this year, but more probably next spring. The Peking Government has some hope of holding the balance between the two by means

of the third big General, Wu Pei-fu who has been for nearly a year in the background, but is now gradually regathering his strength in a Yangtze River province.

The "New York Times" correspondent thereupon asked two questions:

First, was there any party in China which might take the lead in espousing the cause of Chinese independence?

Second, was it true that Feng, whose headquarters are at Kalgan, the terminus of the railway line running north-west from Peking toward Mongolia, is now gathering and army and receiving supplies and munitions from Mongolia, a Chinese dependency, which is virtually in an alliance with the Soviet Union?

#### Japan's Plans

The replies were extremely illuminating.

Karakhan stated that, owing to the absence of a working proletariat in the Western sense, parties play a small part in the affairs of China and other Eastern nations. He added:

"In such countries the rôle of a State organizing force is played by the army, just as Mustapha Kemal's army organized the present independent Turkish State. The Nationalist Party (the Kuomintang) has some strength in South China but is comparatively weak when the whole country is considered, but armies play the main rôle."

His second reply was:

"Feng undoubtedly is gathering strength at Kalgan. His relations with the Mongolian capital, Urga, are close and friendly. A very considerable trade between Urga and Kalgan exists, but whether arms or war supplies form part of it I cannot say. I think a clash between Feng and Chang is most likely, perhaps soon, probably later."

When asked how far Japan supports Chang Tso-lin, and about the alleged Japanese project to build new railways in Manchuria to the detriment of the Chinese Eastern Railway there, M. Karakhan replied that the question of railways doubtless will be discussed at the coming Russo-Japanese railway conference. While recognizing the Japanese desire for a rapprochement with the Soviet Union and the possibility that the railroad questions will be settled sooner or later, he felt it unlikely that the Japanese will drop Chang Tso-lin, in view of their intimate and important relations.

So one gets a queer triangle, he implied—Japan wants to get together with Russia. But Japan regards Chang Tso-lin with a friendly eye. Russia is not unwilling to meet Japan half way, but regards Chang's rival, General Feng, with the same eye of friendship. This question arises: Has Japan hoped to gain from friendship with the rapidly resuscitating Russia or from a friendship with Chang, who

is the enemy of Russia's friend, Feng.

#### Red College for Chinese

If the foregoing permits an appreciation of Russian policy in China for the time being, no less an interesting light on the future was thrown by Karakhan's reply to a query about the Chinese university recently founded in Moscow under the direction of the celebrated Radek. Karakhan said that the university—which begins with about 300 students—would not be confined to Communists and that it would doubtless be agreeable to the Chinese Government, because it bears the name Sun Yat-sen University, and Sun's name is the most popular in China, and because the Chinese Government is naturally delighted over an advance in the modern culture of the Chinese people, whether the education is received in America or Moscow.